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# South Africa, Republic of

# **Grain and Feed**

## Monthly Update

## **2005**

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Report Highlights:
South Africa's current corn crop planted in 2004 is estimated at 12.4 million tons, the biggest crop in years. This is mainly due to a remarkable increase in yields over the past few seasons. The record yields led to serious oversupply and a price collapse. The lower prices again stimulated exports, which are now expected to reach 2.3 million tons this season. Even exports at this level will not affect the oversupply, and farmers will have to cut back the area to be planted this year. The 2005 wheat crop is expected to exceed 1 million tons, which means that only about 1 million tons will have to be imported in 2006.

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**Includes PSD Changes: Yes**
**Includes Trade Matrix: No**
**Unscheduled Report**
**Pretoria [SF1]**
**[SF]**

**Summary**

South Africa's corn crop planted in 2004 and currently being harvested is now estimated at 12.4 million tons, 27% bigger than the crop planted in 2003. The area planted increased by only 4.3% to 3.3 million hectares but the yield increased. The crop on commercial farms (12.2 million tons) is expected to produce a new record yield of 4.2 tons per hectare.

The abundant crop is reflected in the producer price drop which is the cumulative effect of the big crop and the large carry over which reached 2.9 million tons of old season stocks by the end of April 2005. With total annual consumption at about 8.7 million tons, the oversupply situation is clear. Exports are picking up due to the low prices and depreciated Rand, coupled to strong demand in Zimbabwe and the return of Iran and Japan to the market. Even if this demand continues and total exports jump to 2.3 million tons, it would still not have a major effect on the oversupply situation and the end of April 2006 carry over could reach 4.3 million tons. Farmers are considering cutting back the area to be planted this year while looking at ethanol production as the long-term solution.

The wheat situation is included in the report but is mainly unchanged from previous reports.

US$1 = Rand 6.45 (08/31/05)

www.sagis.org.zag
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org

**CORN**

PSD Table

| | | | | | | |
|---|---|---|---|---|---|---|
| Country | South Africa | | | | | |
| Commodity | Corn | | | | | |
| Year of planting | 2003 | Revised | 2004 | Estimate | 2005 | Forecast |
| 1000 HA 1000 MT | USDA [Old] | Post New] | USDA [Old] | Post [New] | USDA [Old] | Post [New] |
| Market Year Begin | | 05/2004 | | 05/2005 | | 05/2006 |
| Area Harvested | 3300 | 3240 | 3500 | 3343 | 3400 | 3000 |
| Beginning Stocks | 2443 | 2420 | 2956 | 2935 | 4256 | 4285 |
| Production | 9700 | 9710 | 12400 | 12445 | 9500 | 9000 |
| TOTAL Mkt. Yr. Imports | 219 | 222 | 150 | 0 | 100 | 0 |
| Oct-Sep Imports | 495 | 553 | 175 | 75 | 100 | 0 |
| Oct-Sep Import U.S. | 61 | 62 | 0 | 5 | 0 | 0 |
| TOTAL SUPPLY | 12362 | 12352 | 15506 | 15380 | 13856 | 13285 |
| TOTAL Mkt. Yr. Exports | 729 | 773 | 2300 | 2300 | 1800 | 2500 |
| Oct-Sep Exports | 797 | 449 | 1700 | 1500 | 2000 | 600 |
| Feed Dom. Consumption | 4077 | 4040 | 4300 | 4100 | 4200 | 4200 |
| TOTAL Dom. Consumption | 8677 | 8644 | 8950 | 8795 | 8900 | 8850 |
| Ending Stocks | 2956 | 2935 | 4256 | 4285 | 3156 | 1935 |
| TOTAL DISTRIBUTION | 12362 | 12352 | 15506 | 15380 | 13856 | 13285 |

**Production**

The South African National Crop Estimates committee released its seventh estimate of the 2004 (year of planting) summer crops on August 22, 2005. The commercial corn crop is estimated at 12.2 million metric tons, 0.7% more than the previous estimate. This will be the biggest crop since 1980 when production reached 14.4 million tons. The total area planted to corn is estimated at 3.3 million ha, up 4.3% on the 3.2 million ha. planted in 2003. Due to the free market system instituted in the nineties, the current area planted is 17% or 780,000 hectares down on the recent high of 4 million hectares planted in 1996 and 34% or 1.8 million hectares down on the record 5 million hectares planted in 1986.
The following table contains the details:

| | 2003 area planted, ha. | Yield MT/ha | 2003 crop MT | 2004 area planted, ha. | Yield MT/ha | 2004, 7th crop estimate, MT |
|---|---|---|---|---|---|---|
| Commercial | | | | | | |
| White corn | 1,842,000 | 3.2 | 5,805,000 | 1,845,000 | 3.9 | 7,264,500 |
| Yellow | 1,001,300 | 3.7 | 3,677,000 | 1,084,500 | 4.5 | 4,915,800 |
| Total | 2,843,300 | 3.3 | 9,482,000 | 2,929,500 | 4.2 | 12,180,300 |
| Developing | | | | | | |
| White | 281,890 | 0.6 | 170,890 | 324,960 | 0.6 | 202,755 |
| Yellow | 78,920 | 0.7 | 57,180 | 88,480 | 0.7 | 63,193 |
| Total | 360,810 | 0.6 | 228,070 | 413,440 | 0.6 | 265,948 |
| Total corn | | | | | | |
| White | 2,123,890 | 2.8 | 5,975,890 | 2,169,960 | 3.4 | 7,467,255 |
| Yellow | 1,080,220 | 3.5 | 3,734,180 | 1,172,980 | 4.2 | 4,978,993 |
| TOTAL | 3,240,110 | 3.0 | 9,710,070 | 3,342,940 | 3.7 | 12,446,248 |

The average yield for yellow corn on commercial farms thus reached 4.5 MT/ha and white corn 3.9 MT/ha, both new records. The average yield of 4.2 MT/ha was 27% better than the 3.3 MT/ha reached in the previous season. The improvement in yield over the past few years is due to generally favorable weather conditions, increased input use and better production practices. Higher yielding hybrid and biotech seed also played a role. The main reason for the record yields is probably the 30% cutback in area planted over the past decade. Market pressures forced farmers to cut back and cultivate only the better soils.

Irrigation is also a factor, total irrigated area is estimated at 189,405 ha. (6.5% of the total area planted on commercial farms). With an average yield exceeding 10.5 tons per hectare, it gives a potential production of nearly two million tons. It is interesting that 119,295 ha. is planted to yellow corn, which is 11% of the total irrigated area, and 70,110 ha. to white corn which is only 3.8% of the total. This is due to the higher yield potential of the current yellow corn hybrids.

The overproduction over the past few seasons has put the industry in a dilemma. Carry over stocks are high and export markets limited. As a result producer prices are low, and production uneconomical for all but the most cost effective farmers. In the short term the plan is to convince farmers to voluntarily cut back the area to be planted in 2005, or even not plant corn at all. This strategy is not likely to succeed, but a 10% cutback in area is possible.

If commercial farmers cut the 2005 area planted by 10% the area planted will be about 2.65 million hectares, plus 350,000 hectares in the developing sector to total 3 million hectares. If the irrigated area and input use are also cut back the average yield can drop to the 2003 average of 3 mt/ha. which should produce a 9 million tons crop even if weather conditions are favorable. We used a forecast of 8.750 million tons for commercial production and 250,000 tons for the developing farmers in the PS&D for a total of 9 million tons.
This forecast will change when planting intentions become clear.

**Consumption**

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution. To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. This is to get the whole new crop into the right season. The March and April deliveries are then added to the new season’s deliveries and deducted from the May 1 carry over. The latest commercial PS&D’s are summarized below:

| FAS 2003 final | My May 04/April 05 | Commercial S&D | Final |
|---|---|---|---|
| ’000 Metric tons | White | Yellow | Total |
| B/Stocks | 2030 | 390 | 2420 |
| Adjusted crop est. | 5805 | 3677 | 9482 |
| Farm retentions | 117 | 281 | 398 |
| Deliveries | 5688 | 3396 | 9084 |
| Imports | 1 | 221 | 222 |
| Total supply | 7719 | 4007 | 11726 |
| Exports | 710 | 63 | 773 |
| Dom. Cons. | 4664 | 3354 | 8018 |
| Ending stocks | 2345 | 590 | 2935 |

| FAS 2004 estimate | MY May05/April 06 | Commercial S&D | Forecast |
|---:|---:|---:|---:|
| ’000 Metric tons | White | Yellow | Total |
| B/Stocks | 2345 | 590 | 2935 |
| Comm.crop | 7265 | 4915 | 12180 |
| Farm retentions | 165 | 315 | 480 |
| Delivery forecast | 7100 | 4600 | 11700 |
| Imports | 0 | 0 | 0 |
| Total supply | 9445 | 5190 | 14635 |
| Exports | 1700 | 600 | 2300 |
| Dom. Cons. | 4675 | 3375 | 8050 |
| Ending stocks | 3070 | 1215 | 4285 |

**Trade**

South Africa’s August exports and the progressive total for the season from May 1 to August 26 is shown in the following table. Total exports exceeded 698,000 tons or 41,000 tons per week. Sudan was added as a white corn destination with 28,272 tons (probably WFP) while Japan re-surfaced on the yellow corn screen with 78,663 tons for the season to date.

| White corn | 7/30-8/5 | 89/6-8/12 | 8/13-8/19 | 8/20-8/26 | Prog 8/26 |
|---|---|---|---|---|---|
| Angola | | | | | 7,025 |
| Benin | | | | 21 | 2,278 |
| Botswana | 1,444 | 1,892 | 2,211 | 4,004 | 54,328 |
| Cameroon | | | | | 870 |
| Ghana | | 624 | | | 7,057 |
| Kenya | | | | | 20,500 |
| Lesotho | 1,452 | 1,186 | 1,713 | 188 | 30,030 |
| Malawi | 463 | 203 | | | 4,999 |
| Mozambique | 2,138 | 1,179 | 3,309 | 6,181 | 28,927 |
| Namibia | | | 3 | | 6,086 |
| Sudan | | | | | 28,272 |
| Swaziland | | | | | 3,215 |
| Zimbabwe | 15,609 | 43,419 | 12,774 | 10,062 | 367,122 |
| TOTAL | 21,106 | 48,503 | 20,010 | 20,456 | 506,709 |
| | | | | | |
| Yellow corn | | | | | |
| Botswana | 291 | 100 | | 507 | 1,513 |
| Iran | | | | | 93,284 |
| Lesotho | | | | 10 | 1,099 |
| Mozambique | 84 | 99 | 32 | 135 | 1,272 |
| Namibia | 802 | 358 | 606 | 433 | 6,020 |
| Swaziland | 371 | 385 | 252 | 1,292 | 9,566 |
| Japan | | | 19,315 | 15,335 | 78,663 |
| Total | 1,548 | 942 | 20,205 | 17,712 | 191,417 |
| GRAND TOTAL | 22,654 | 49,445 | 40,215 | 38,168 | 698,126 |

Zimbabwe, the main market, took 367,122 tons in the first seventeen weeks of the new marketing season, or about 92,000 tons per month. This rate should allow them to buy and ship more than 1.1 million tons over a year, which should satisfy their requirements. About 31,500 tons was shipped from East London in mid May and 38,650 tons in mid June (first shown to have gone to Mozambique but it was then moved to Zimbabwe) while another shipment of 34,900 left East London in the second week of August in addition to the usual road and rail transport. The Zimbabwean government has announced that it wants to scale up imports to 120,000 tons per month. In order to boost the imports the Government has scrapped import duties on corn and wheat and ended the state owned Grain Marketing Board's trade monopoly. The government has, however, turned down a request for a formal appeal for food aid. The WFP can only request donor assistance if aid was formally requested and will thus be out of the picture. Donors are welcome to offer direct assistance.

Zambia is also facing a drought induced food deficit later this year and early in 2006. Zambia's corn crop dropped to 865,000 tons this year from 1.3 million tons in 2004. This implies that about 185,000 tons will have to be imported in the first quarter of 2006. Zambia and Zimbabwe prefers to buy only GMO free corn, which will be sourced mainly from South Africa.

Malawi is another market expecting to import about 90,000 tons over the rest of the season after 5,000 tons were imported to date. An earlier tender for 30,000 tons went to Tanzania and Mozambique mainly due to limitations of the South African transport system. Transnet, the South African rail authority has allocated 200, 44-ton railcars for movement into Africa, which, with a two-week turnaround time, allows the movement of about 20,000 tons per month. Efforts are underway to increase this capacity, as road transport is more expensive. Malawi does not insist on GMO free corn and it was reported that Monsanto donated US$1 million to help finance the purchase.

**Prices**

Current SAFEX prices are shown in the following table. The September 2005 white corn price is about $108/ton ex Randfontein. This about R695/ton but this varies according to the distance from Randfontein.

| Futures prices | March 2005 | May 2005 | July 2005 | September 05 |
|---|---|---|---|---|
| White corn/mt. | | | | |
| 11/01/04 | R1071=$175.6 | R1089=$178.5 | R1100=$180.3 | |
| 11/29/04 | R976=$166.8 | R993=$169.7 | R1009=$172.5 | |
| 12/28/04 | R749=$131.4 | R771=$135.3 | R784=$137.5 | |
| 01/25/05 | R551=$ 91.8 | R580=$ 96.7 | R603=$100.5 | R624=$104.0 |
| 03/01/05 | December 05 | R513=$ 88.4 | R538=$ 92.8 | R557=$96.0 |
| 03/30/05 | R642=$101.9 | R577=$ 91.6 | R592=$ 94.0 | R613=$97.3 |
| 04/28/05 | R618=$101.3 | R542=$ 88.9 | R558=$ 91.5 | R580=$ 95.1 |
| | December 2005 | March 2006 | August 05 | |
| 05/31/05 | R651=$99.4 | R681=$104.0 | R593=$90.5 | R612=$93.4 |
| 06/27/05 | R634=$94.5 | R670=$99.9 | R574=$85.5 | R593=$88.4 |
| 07/27/05 | R671=$100.9 | R709=$106.6 | R619=$122.6 | R632=$107.8 |
| 08/31/05 | R735=$114.0 | R766=$118.8 | May 06 | R695=$107.8 |
| | | | | |
| Yellow corn/mt. | March 2005 | May 2005 | July 2005 | September 05 |
| 11/01/04 | R1041=$170.7 | R1005=$164.8 | R1010=$165.6 | |
| 11/29/04 | R927=$159.0 | R912=$155.9 | R930=$159.0 | |
| 12/28/04 | R791=$138.8 | R804=$141.0 | R797=$139.8 | |
| 01/25/05 | R639=$106.5 | R649=$108.2 | R646=$107.7 | R675=$112.5 |
| 03/01/05 | December 05 | R583=$100.5 | R600=$103.4 | R621=$107.0 |
| 03/30/05 | R683=$108.4 | R615=$97.6 | R635=$100.8 | R657=$104.3 |
| 04/28/05 | R662=$108.5 | R595=$97.5 | R606=$99.3 | R630=$103.3 |
| | December 2005 | March 2006 | August 05 | |
| 05/31/05 | R686=$104.7 | R703=$107.3 | R630=$96.2 | R653=$99.7 |
| 06/27/05 | R669=$99.7 | R705=$105.1 | R607=$90.5 | R629=$93.7 |
| 07/27/05 | R667=$100.3 | R697=$104.8 | R625=$94.0 | R635=&95.5 |
| 08/31/05 | R683=$105.9 | R708=$109.8 | May 06 | R645=$100 |
| | | | | |
| Wheat/mt | December 2005 | March 2006 | August 2005 | September 2005 |
| 05/31/05 | R1491=$227.6 | R1512=$230.8 | R1529=$233.4 | R1535=$234.4 |
| 06/27/05 | R1481=$220.7 | R1521=$226.7 | R1603=$238.9 | R1580=$235.5 |
| 07/27/05 | R1475=$221.8 | R1520=$228.6 | R1537=$231.1 | R1542=$231.9 |
| 08/31/05 | R1379=$213.8 | R1429=$221.6 | May 06 | R1490=$231.0 |
| | | | | |

**WHEAT**

PSD Table

| | | | | | | |
|---|---|---|---|---|---|---|
| Country | South Africa | | | | | |
| Commodity | Wheat | | | | | |
| Year of planting | 2003 | Revised | 2004 | Estimate | 2005 | Forecast |
| 1000 HA 1000 MT | USDA [Old] | Post [New] | USDA [Old] | Post [New] | USDA [Old] | Post [New] |
| Market Year Begin | | 10/2003 | | 10/2004 | | 10/2005 |
| Area Harvested | 748 | 748 | 850 | 830 | 820 | 801 |
| Beginning Stocks | 898 | 897 | 596 | 614 | 586 | 480 |
| Production | 1540 | 1540 | 1700 | 1680 | 2000 | 2035 |
| TOTAL Mkt. Yr. Imports | 1278 | 1278 | 1300 | 1350 | 1100 | 1000 |
| Jul-Jun Imports | 911 | 837 | 1407 | 850 | 1100 | 850 |
| Jul-Jun Import U.S. | 475 | 414 | 0 | 200 | 0 | 250 |
| TOTAL SUPPLY | 3716 | 3715 | 3596 | 3644 | 3686 | 3515 |
| TOTAL Mkt. Yr. Exports | 379 | 379 | 350 | 374 | 350 | 380 |
| Jul-Jun Exports | 356 | 320 | 338 | 350 | 350 | 350 |
| Feed Dom. Consumption | 10 | 30 | 10 | 20 | 10 | 20 |
| TOTAL Dom. Consumption | 2741 | 2722 | 2660 | 2790 | 2750 | 2850 |
| Ending Stocks | 596 | 614 | 586 | 480 | 586 | 285 |
| TOTAL DISTRIBUTION | 3716 | 3715 | 3596 | 3644 | 3686 | 3515 |

**Production:**

The area estimate for the wheat planted in 2005 is 800,500 hectares, 3.6% lower than the 830,000 hectares planted in 2004. An estimated 380,000 ha. is found in the Free State province, 300,000 ha. in the Western Cape and 47,000 ha. in the irrigation areas of the Northern Cape. The first official estimate is a 2.034 million ton crop, 354,000 tons more than the 1.68 million ton 2004 crop. In 1997 farmers still planted 1.4 million hectares and produced 2.4 million tons while in 1988 they planted 2 million hectares and produced 3.6 million tons. The cutback in area planted since 1997 is the result of the deregulation of the industry. On July 27, 2005 the intricate import tariff regime was changed to a simple 2% ad valorem tariff that opens the market to even more international competition.

**Consumption:**

The following table compares consumption from October/July for the 2003/04 and the current 2004/05 seasons:

| Consumption '000 MT | Oct. 03/July 04 | Oct. 04/July 05 | % Change |
|---|---|---|---|
| | | | |
| Human consumption | 2,174 | 2,248 | +3.4% |
| Animal Feed | 1 | 1 | 0.0% |
| Withdrawn | 13 | 7 | -46% |
| Released to users | 2 | 2 | 0.0% |
| Seed | 19 | 14 | -26% |
| Total | 2,175 | 2,249 | +3.4% |

**Trade:**

While consumption is growing about 3% per year, imports are likely to reach 1.35 million tons this MY2004/05 season after 1.28 million was imported in 2003/04. With the bigger crop expected this year imports are likely to reach 1 million tons again in My 2005/06. The following table shows imports and exports since the start of the current season in October 2004.

| Imports, metric tons 10/02/04-08/26/05 | For Africa | For South Africa | Total |
|---|---|---|---|
| Argentina | 95,770 | 556,249 | 652,019 |
| USA | 37,582 | 246,125 | 283,707 |
| Australia | | 129,630 | 129,630 |
| United Kingdom | | 27,586 | 27,586 |
| Germany | 6,748 | 92,236 | 98,984 |
| Ukraine | | 29,935 | 29,935 |
| Total | 140,100 | 1,116,131 | 1,256,231 |
| Exports, metric tons | | | |
| Botswana | | | 68,584 |
| Lesotho | | | 68,186 |
| Namibia | | | 12,395 |
| Swaziland | | | 32,104 |
| Zambia | | | 54,165 |
| Zimbabwe | | | 40,738 |
| Total | | | 276,172 |